PEHP Health & Benefits

HB 272 Sub 1, PHARMACY BENEFIT AMENDMENTS, (Ray, P)

Anticipated Fiscal Impact:

No net fiscal impact to the State Employee Risk Pool.

Summary:

1st Sub HB 272 includes provisions that would both increase and decrease costs for the state health insurance risk pool, which, in total, we believe would offset each other.

- Point-of-Sale Rebates. PEHP currently collects 100% of available manufacturer rebates on drugs through its PBM and uses them to reduce overall costs for the state risk pool. 1st Sub HB 272 requires PBMs and insurers to share rebates from pharmaceutical manufacturers with members based on cost sharing. This would have the effect of putting about $1,191,732 per year in the pockets of members that would otherwise go into the state risk pool.

- Claim-level Rebate Information. 1st Sub HB 272 requires PBMs to provide claim-level rebate information to insurers, like PEHP. Not having this information currently prevents PEHP from optimizing rebate opportunities and drug placement on PEHP's formulary. PEHP currently receives about $10 PMPM in rebates from its PBM. Our best estimate is that we could expect an additional 20% in rebates or cost savings ($2 PMPM) above current rebates, for projected savings of $1,483,272 to the state risk pool.

- Reporting Requirements. 1st Sub 272 requires insurers to produce yearly information about certain drugs that it covers. We believe it would cost PEHP less than $10,000 and that, in any event, this cost could be handled within existing budgets.

We feel more certain about the level of costs than the level of savings. Costs for point-of-sale rebates can be calculated with current information available to PEHP. Savings for claim-level rebate information are a function of our best assumptions about what might be available. As such, we think it is accurate to say that 1st Sub 272 would be cost neutral than to say it would reduce costs to the state risk pool.